Where to Put $1,000 Right Now

Description

Congratulations on having $1,000 to spare. Here are the best three places you can choose to put that money.

A simple approach: Put it in an index

Choose an Exchange-Traded Fund (ETF) like the **iShares S&P TSX 60 Index ETF** (TSX:XIU) for immediate diversification. This ETF in particular has exposure to 60 large and established Canadian companies.

A fun fact is that the **TSX Index** was first available in 1990 and was the first ETF in the world! Today, it remains the largest and most liquid ETF in Canada.

In the lead of the iShares ETF's top 10 holdings are Canada's largest banks: **Royal Bank of Canada** (weight of 7.8%) and **TD Bank** (7%). Stealing the third place is **Enbridge** (5.6%), North America's largest energy infrastructure company. Chasing Enbridge is the economic backbone, **Canadian National Railway** (4.6%).

In the fifth place is **Bank of Nova Scotia** (4.6%), Canada's third-largest bank. Then comes **Brookfield Asset Management** (3.9%), a top-notch alternative asset manager. **TC Energy** (3.5%) and **Bank of Montreal** (3.4%), respectively, take the seventh and eighth place.

Suncor Energy (3.4%), the integrated energy giant is in ninth place. And finally, **Shopify** (3.3%) swoops in to take the last top spot.

If you've been calculating, that's 47% in the top 10 companies. While giving good exposure to these quality stocks, XIU also offers a 2.6% yield.

An aggressive approach: Put it in one stock

It’s much riskier to put the $1,000 in stocks. However, unless you don’t have trading fees, it probably isn’t worth it to split the $1,000 into more than one stock.

From XIU’s top holdings, a conservative stock would be Royal Bank, TD, Scotiabank, or Bank of Montreal. They’re trading at good valuations and offer safe dividends. I find Scotiabank the most attractive of the four.

Scotiabank trades at about 10.2 times earnings, a discount of roughly 15% from its long-term normal price-to-earnings multiple. Additionally, it offers a yield of 4.9%. From an investment today, investors should get long-term total returns of at least 10% per year.

If you’re looking for an aggressive growth stock and have a long-term investment horizon of at least five years, consider Brookfield Asset Management or Shopify.

Brookfield Asset Management has been riding on a secular growth trend of investors increasing investments in alternative assets, such as real estate, renewable energy, and infrastructure, while Shopify has been changing how entrepreneurs do business and making their lives much easier.

Let me caution you on the fact that both stocks have run up a ton — BAM is up 47%, while SHOP has doubled by rising 184% in the last 12 months. It would therefore be less risky to buy them on dips or better yet, market corrections if possible.

Pay down debt

Investing doesn’t guarantee positive returns unless you choose wonderful businesses, pay a fair (or better) price for them, and have a long-term investment horizon such that you can ride out market volatility (and market crashes!).

If you have debt on your shoulders, especially high-interest rate debt like credit cards, you should definitely consider paying the debt off first before risking your hard-earned money in the stock market.

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TICKERS GLOBAL

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kayng